



Getting in shape for more difficult conditions

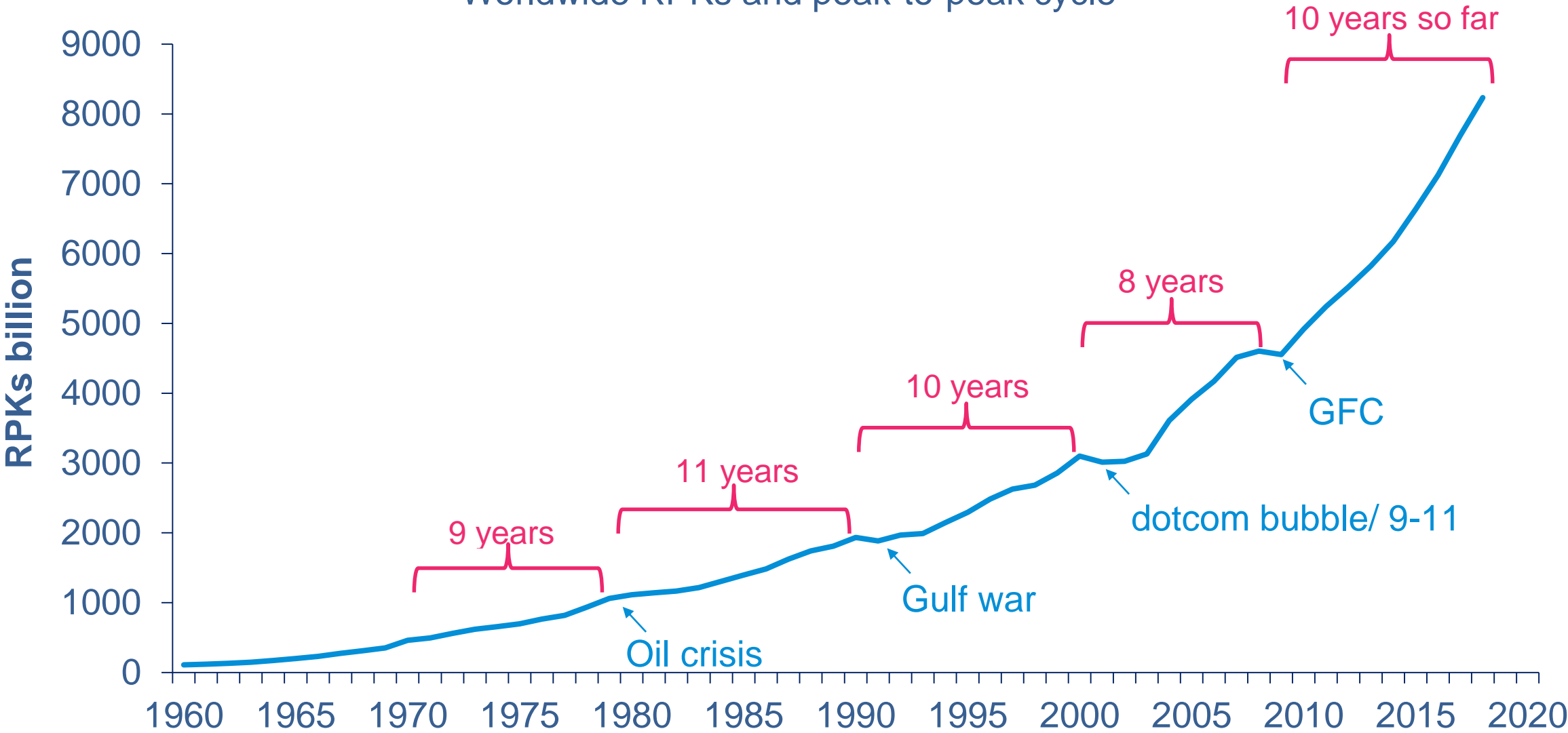
5th June 2018, Sydney

Brian Pearce,
Chief Economist,
IATA

www.iata.org/economics

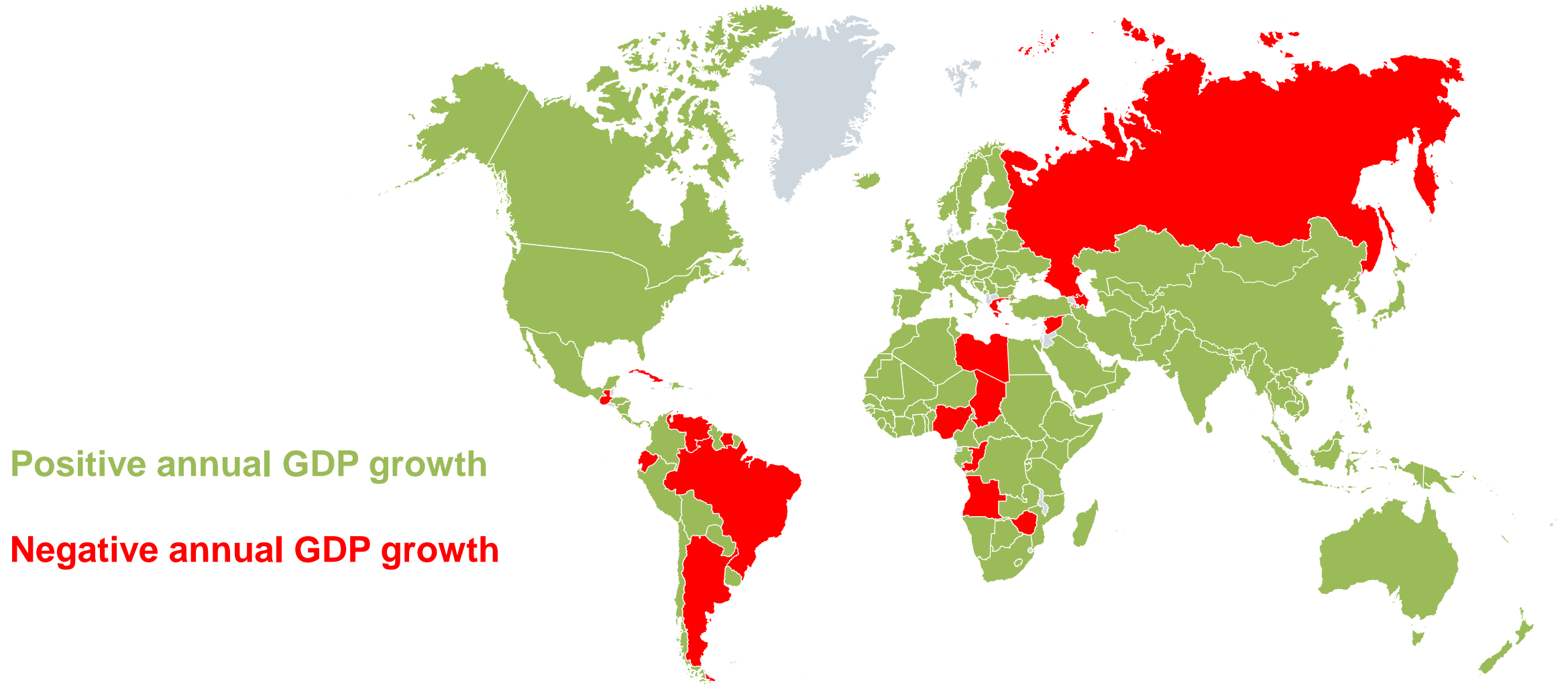
Current air traffic cycle is in its 10th year

Worldwide RPKs and peak-to-peak cycle



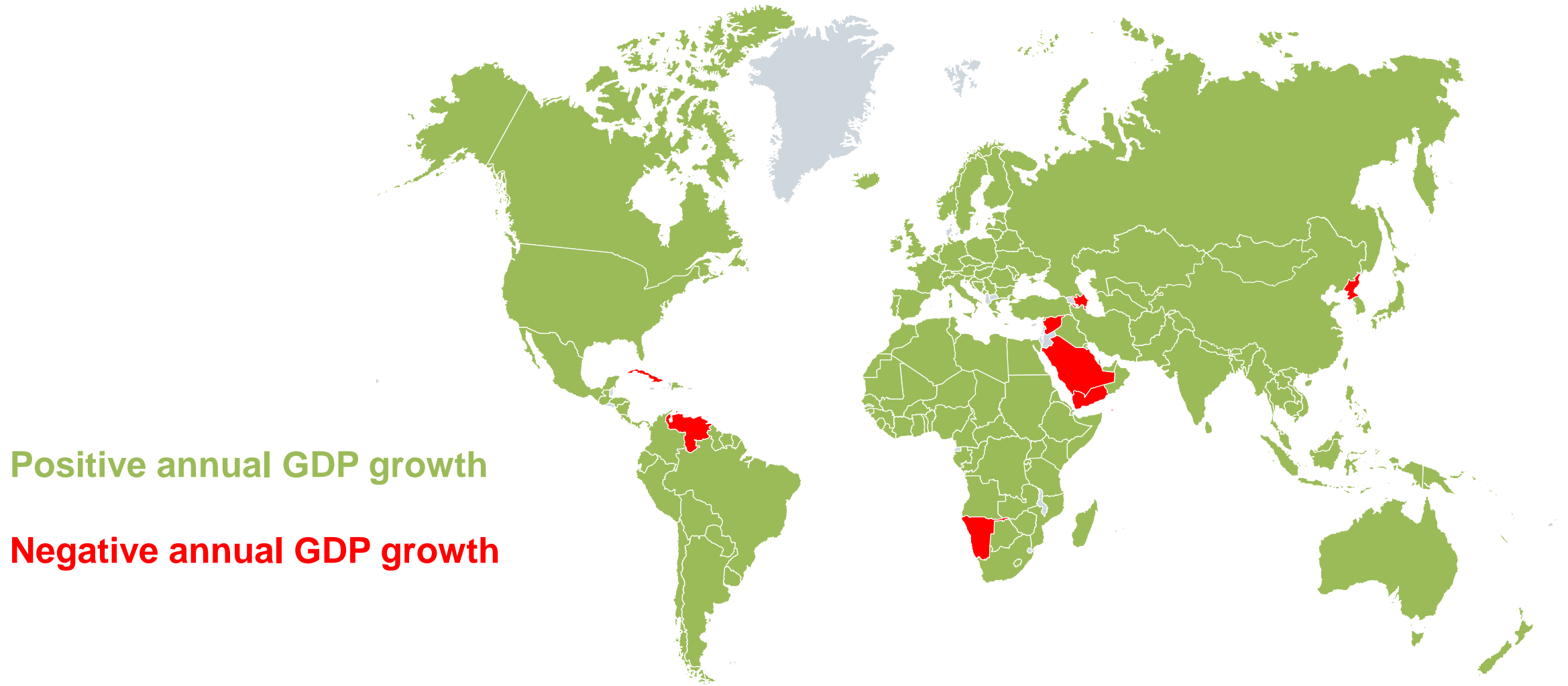
Source: IATA Economics using data from ICAO, IATA Statistics and our own forecast

Extended by more synchronized global economic growth: 2016



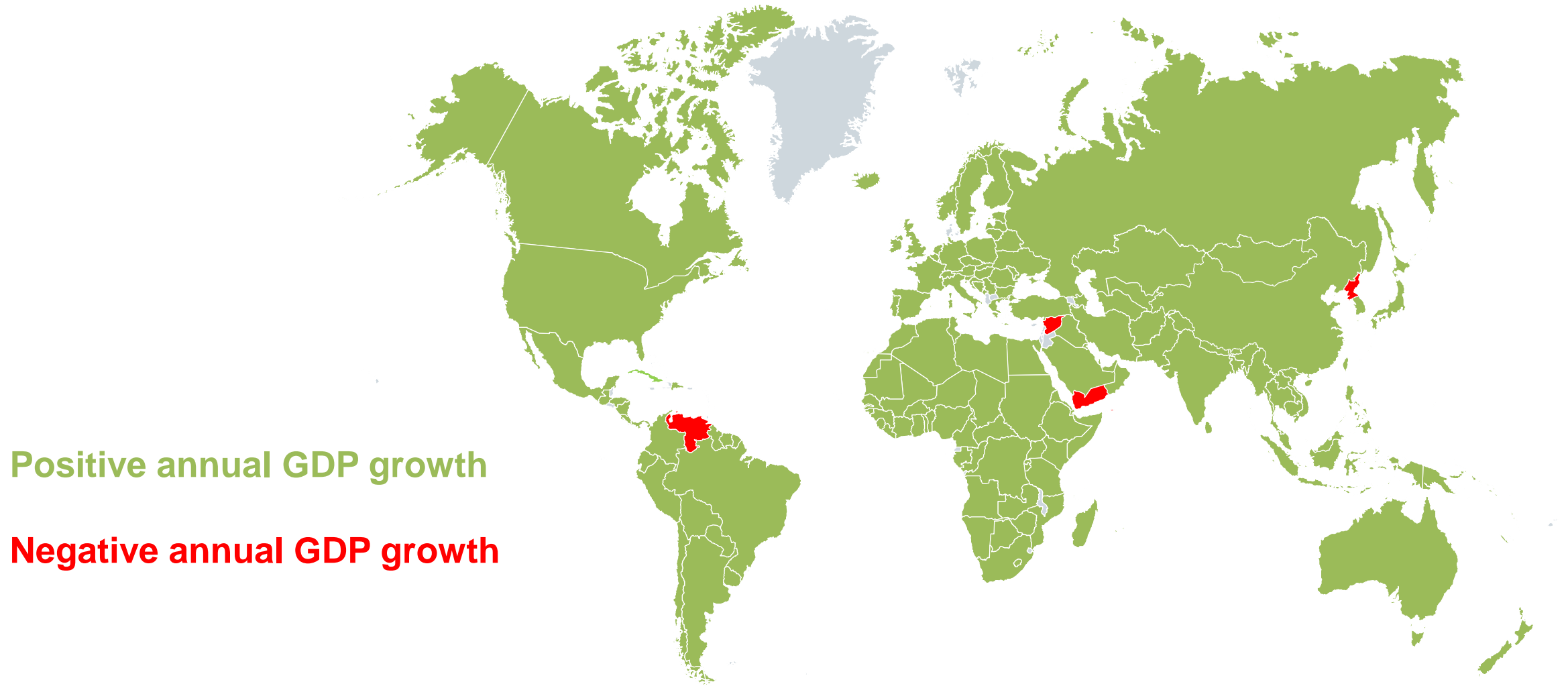
Source: IATA Economics using data from Oxford Economics

Extended by more synchronized global economic growth: 2017



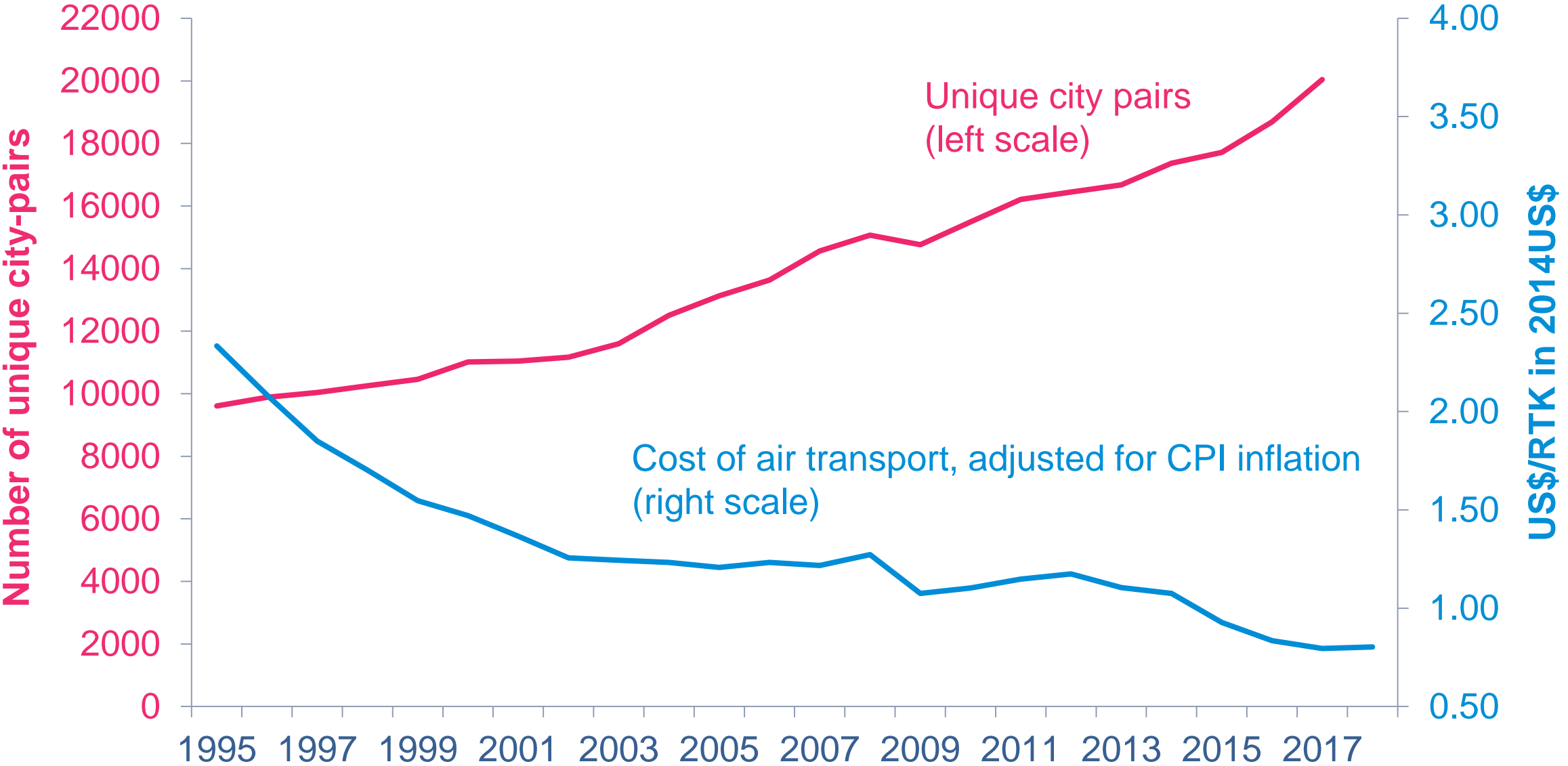
Source: IATA Economics using data from Oxford Economics

Extended by more synchronized global economic growth: 2018



Source: IATA Economics using data from Oxford Economics

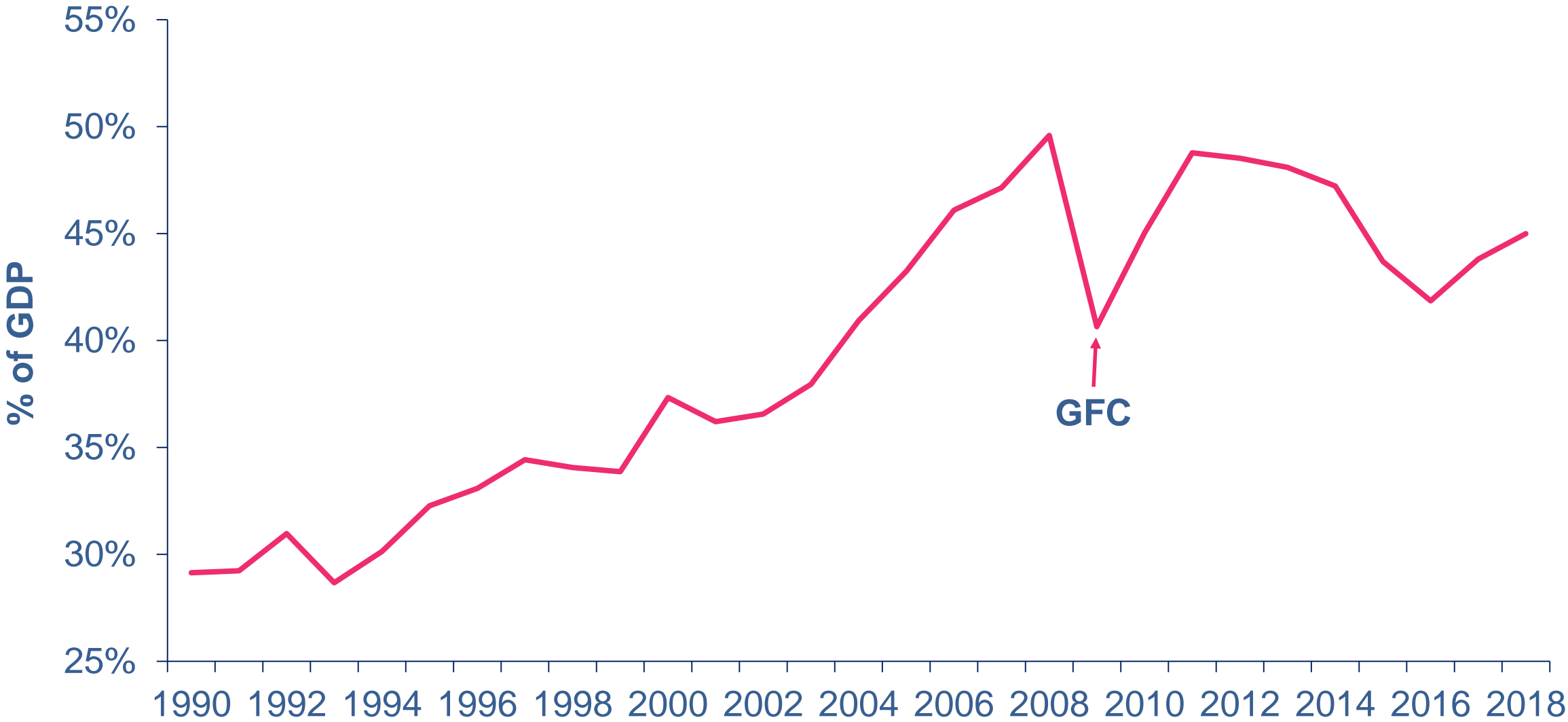
Plus new routes and lower real fares stimulating travel and trade



Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast

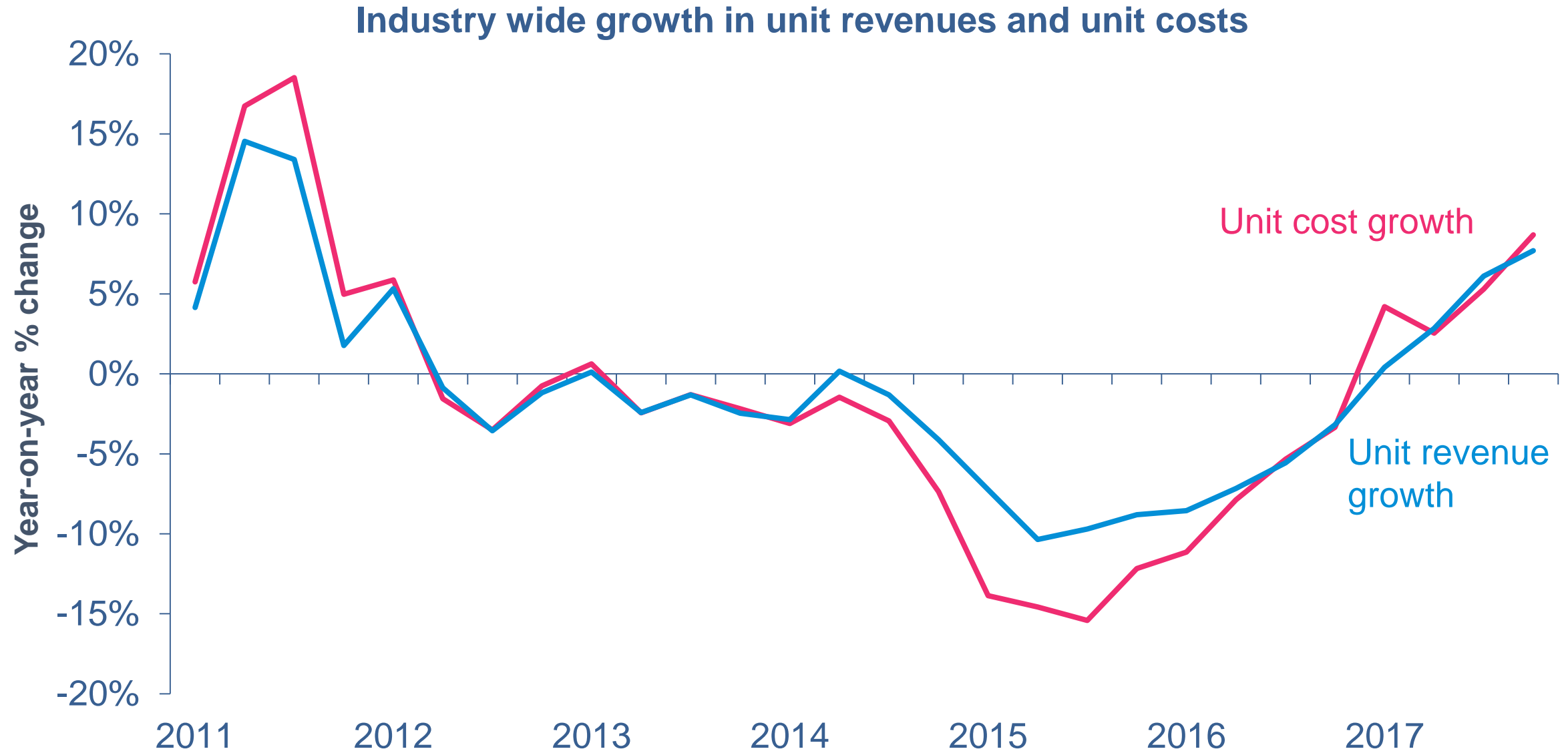
Tariff war latest in a decade of creeping protectionism

Share of exports + imports in global GDP



Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast

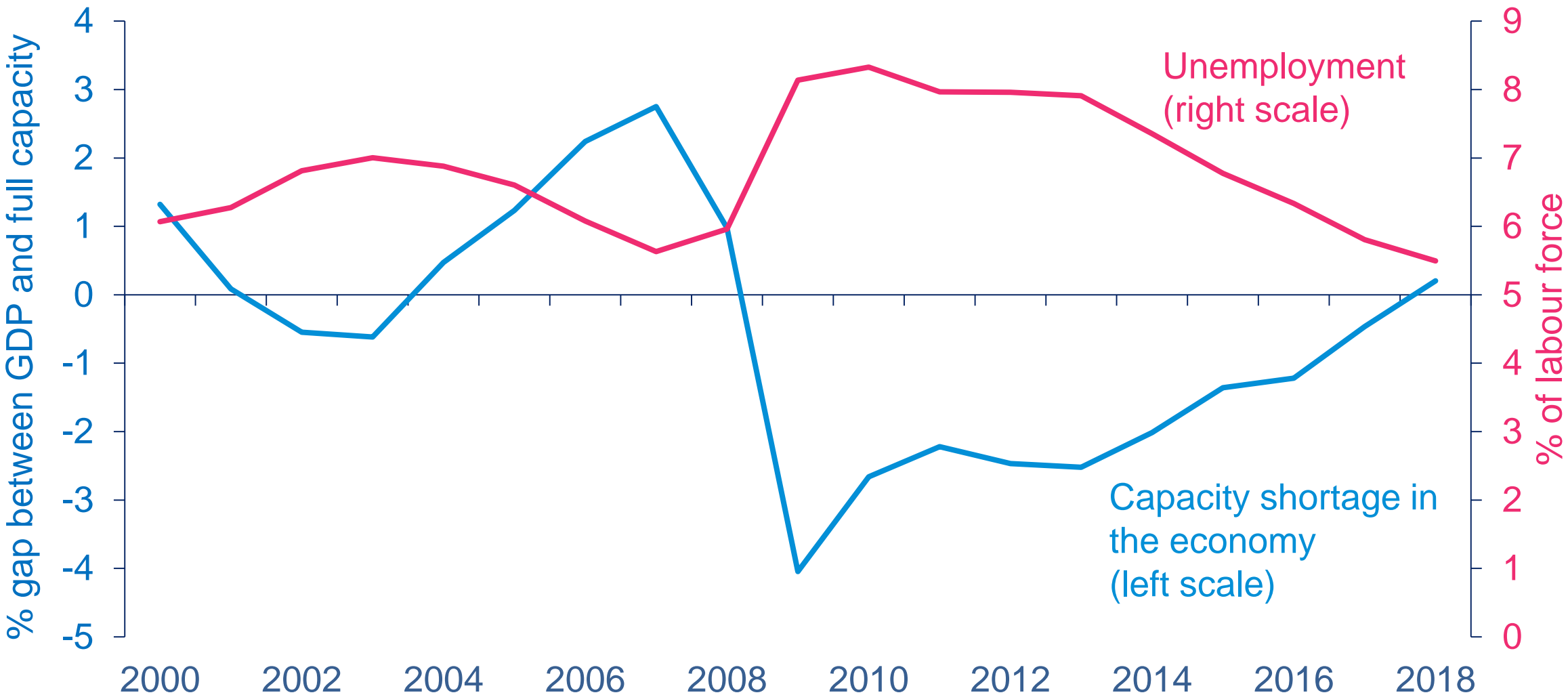
But we are now facing severe late-cycle cost pressures



Source: IATA Economics using data from The Airline Analyst

As spare capacity disappears

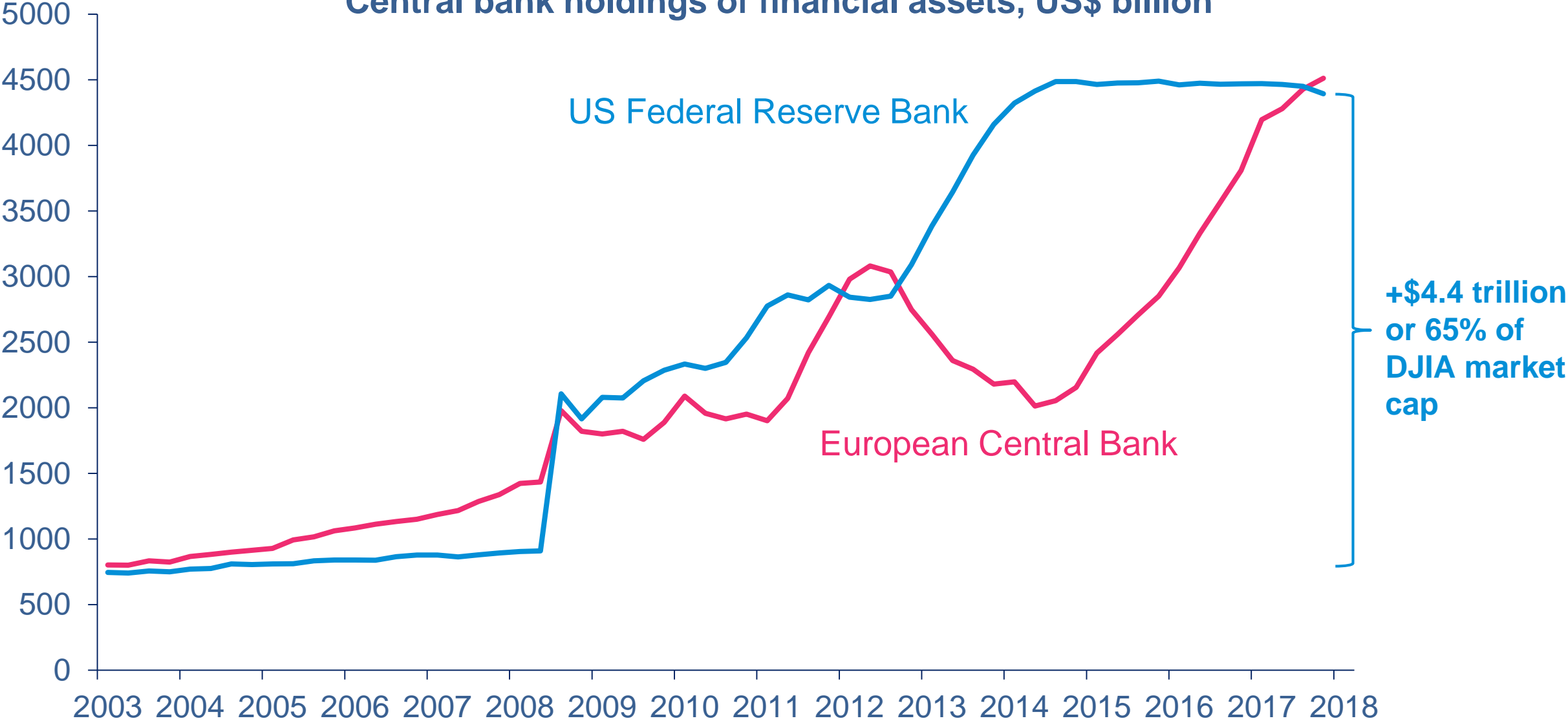
OECD unemployment and capacity shortage in the economy



Source: IATA Economics using data from Datastream

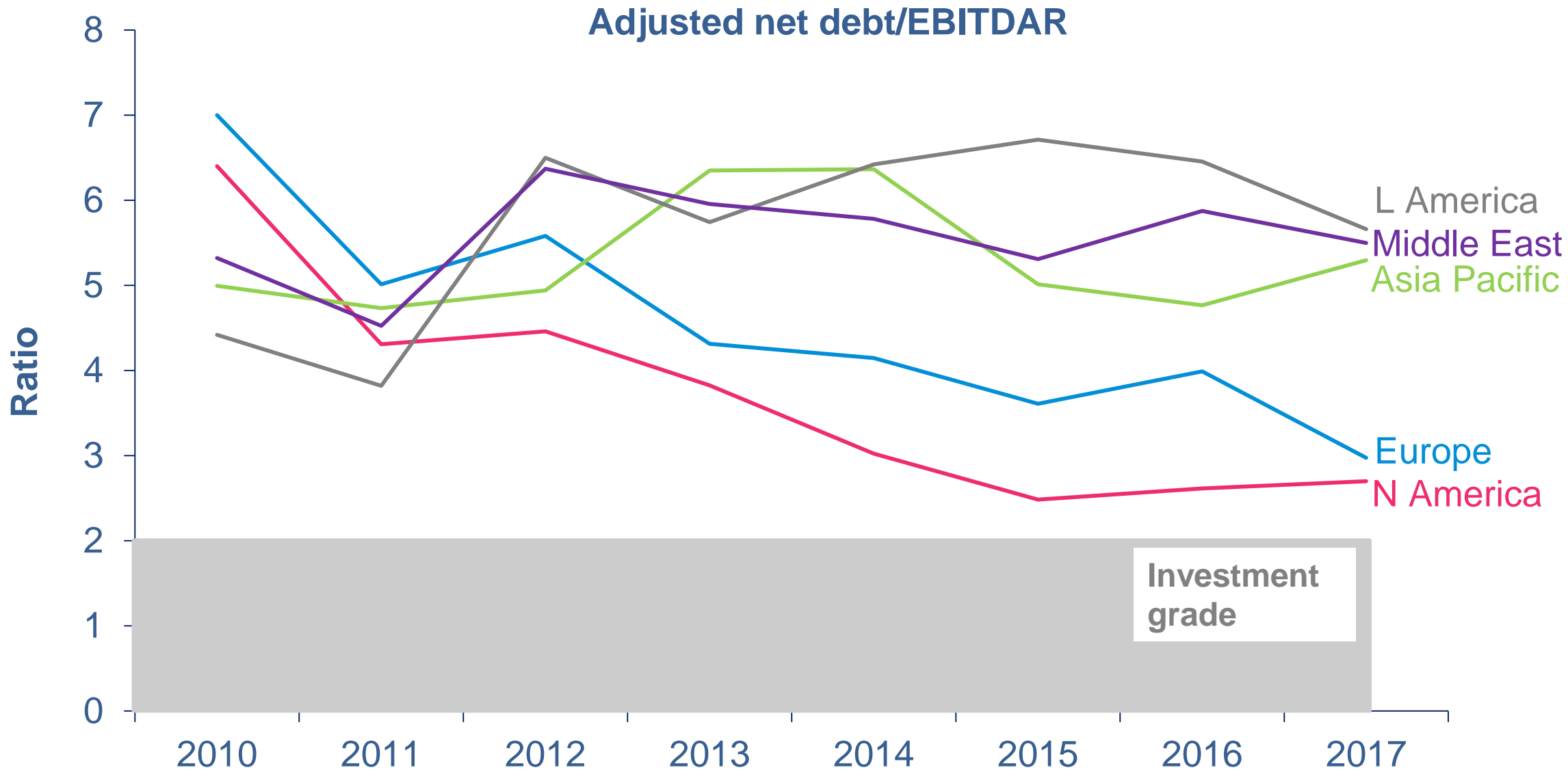
Central banks' shift to monetary tightening brings its own risks

Central bank holdings of financial assets, US\$ billion



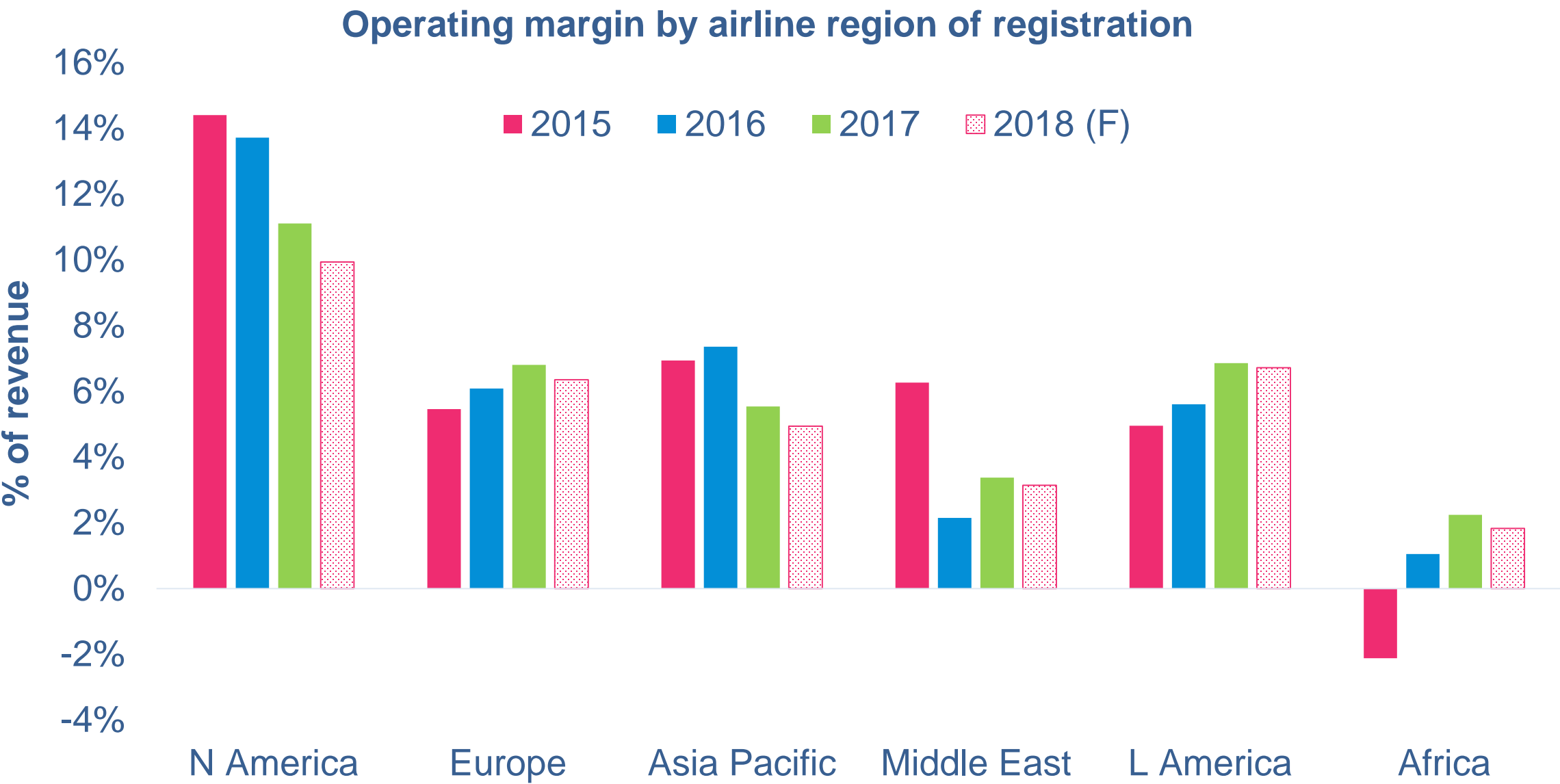
Source: IATA Economics using data from Datastream

Airline balance sheets have not yet improved in all regions



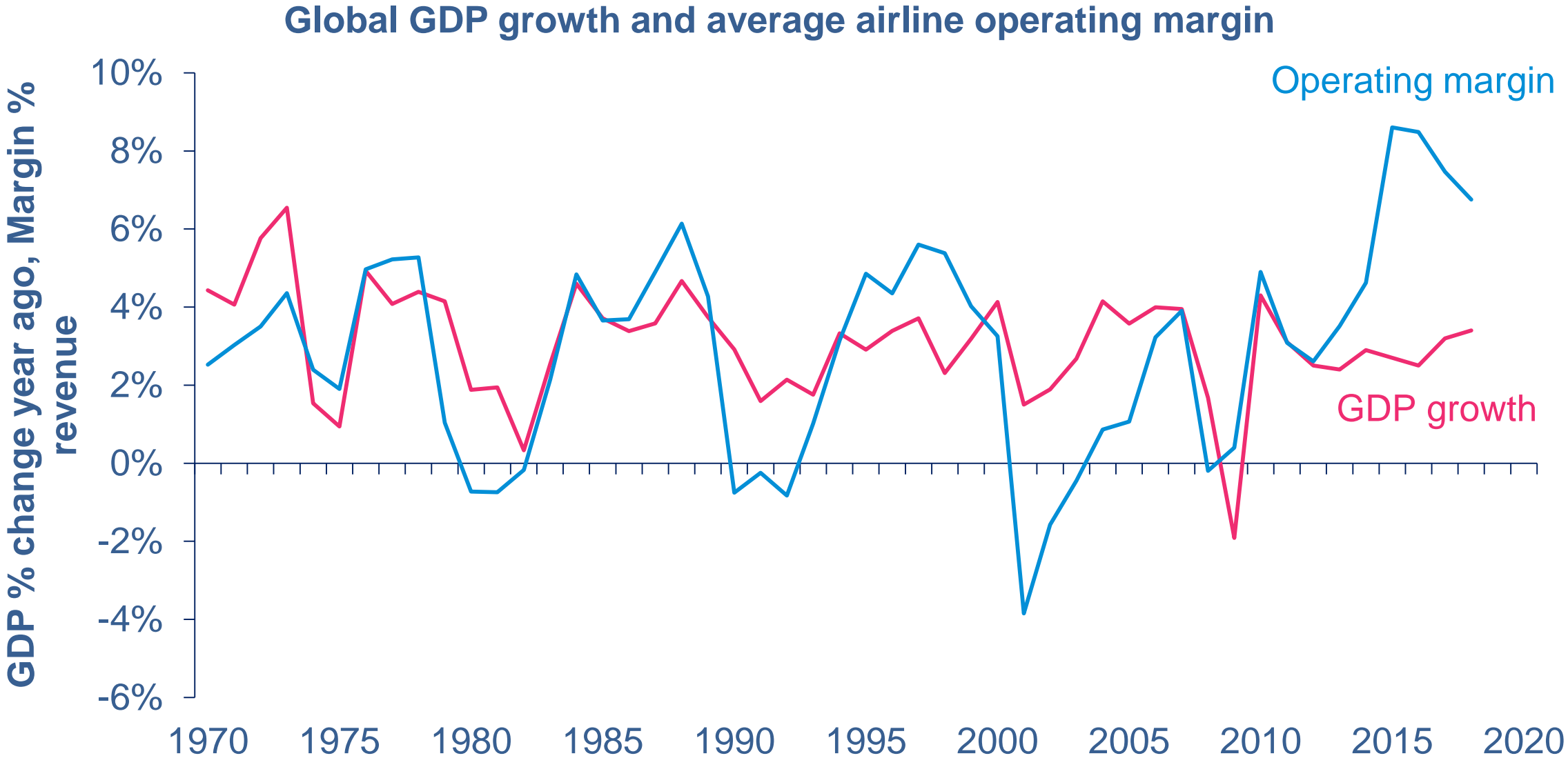
Source: IATA Economics using data from McKinsey, The Airline Analyst, airline releases

And profitability remains uneven across regions



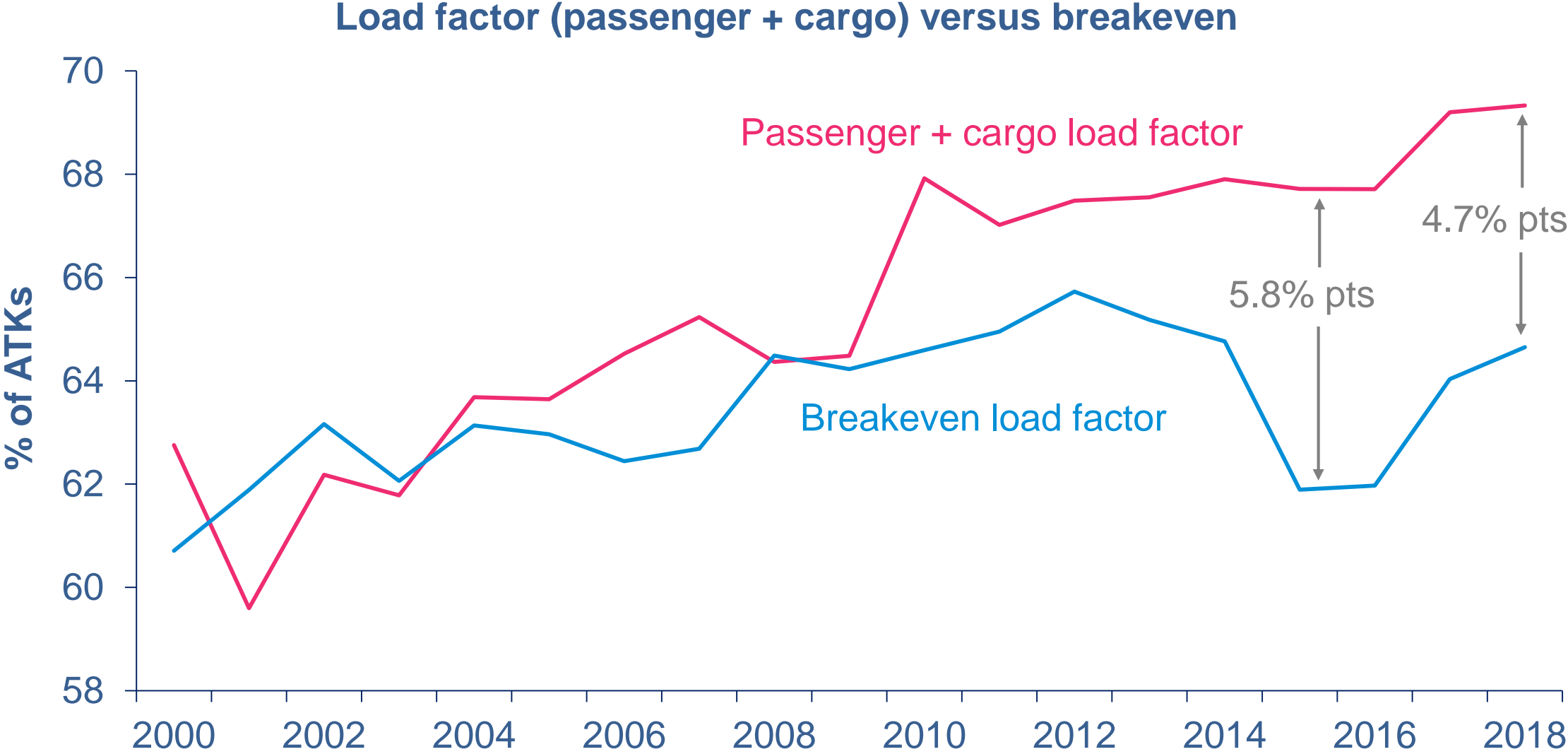
Source: IATA Economics using data from ICAO, The Airline Analyst, IATA forecasts

But at the industry level there are signs of structural improvement



Source: IATA Economics using data from ICAO, IATA Statistics, IMF and our own forecasts

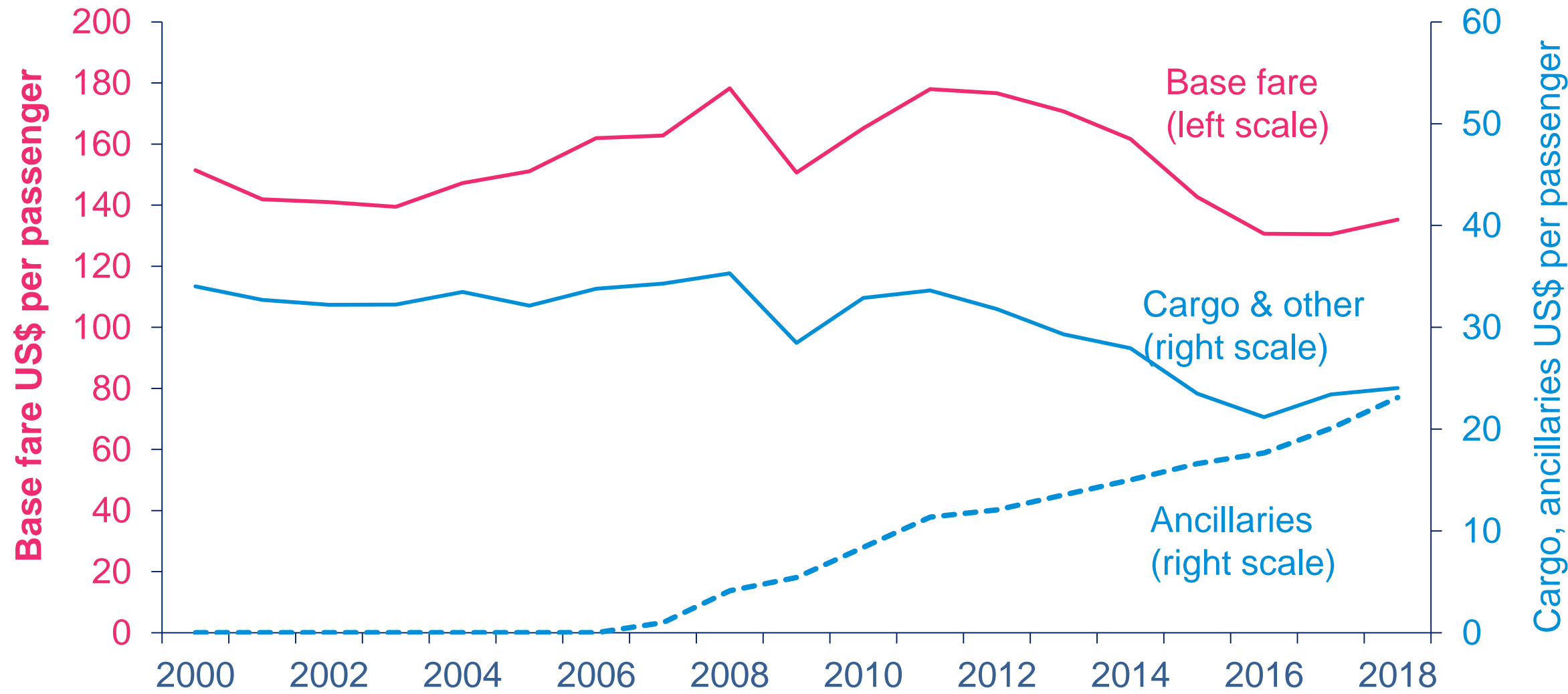
Structural change 1/2



Source: IATA Economics using data from ICAO, IATA Statistics and our own forecasts

Structural change 2/2

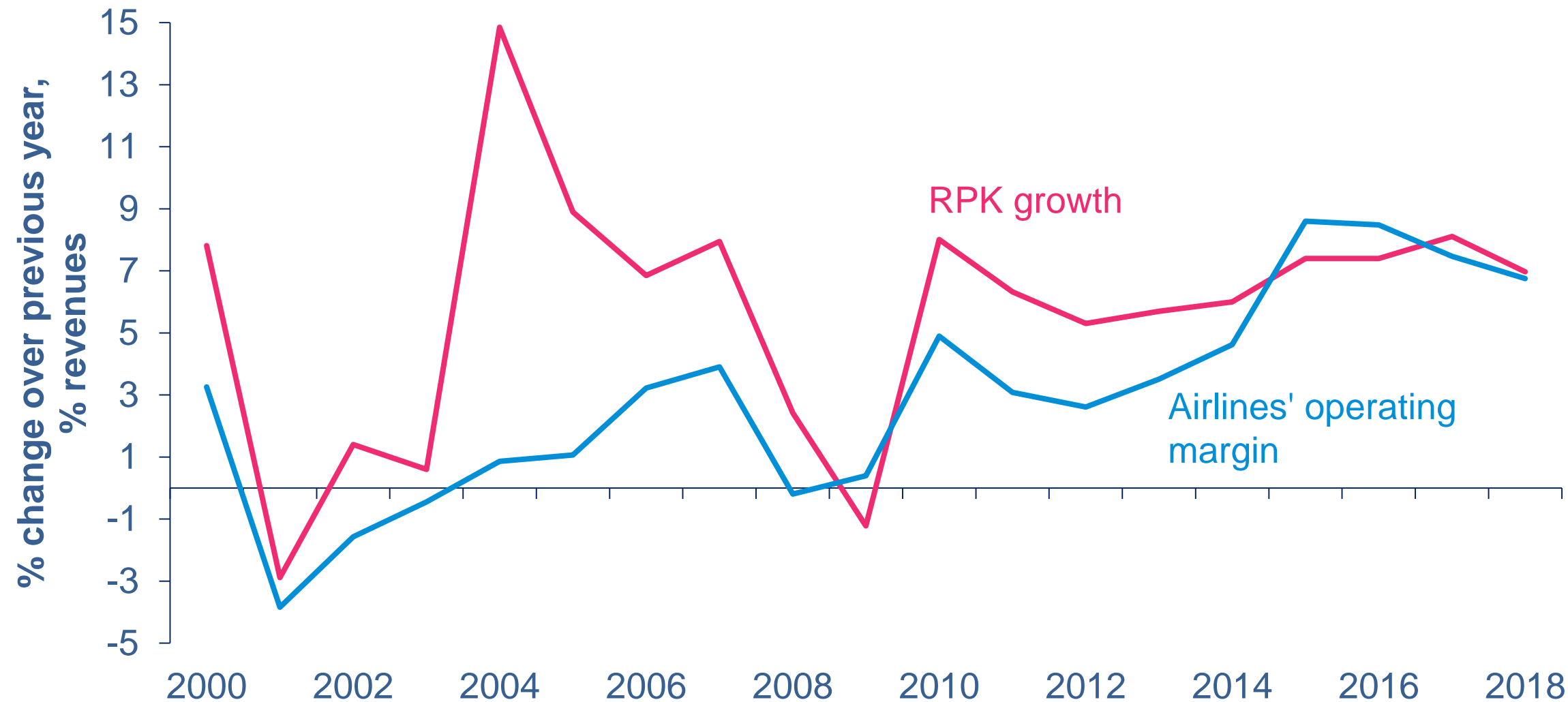
Airline revenue per passenger



Source: IATA Economics using data from ICAO, IATA Statistics, IdeaWorks and our own forecasts

Further strong growth in travel, airline margins squeezed but still high

Global RPK growth and airlines' operating margin



Source: IATA Economics using data from ICAO, IATA Statistics and our own forecasts